

JUDGE KOELTL

MAY 25 2007
 U.S. DEPT. OF JUSTICE
 CASHIERS

UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF NEW YORK

STEVE MACRINA, individually and on behalf of all others similarly situated,		Case No. _____
Plaintiffs,		
 v.		
J. ROGER MOYER, JR., THOMAS DAUTRICH, GEORGE W. GRANER, EQUIPMENT FINANCE, LLC, and BANK OF LANCASTER, N.A.,		CLASS ACTION COMPLAINT FOR VIOLATION OF FEDERAL SECURITIES LAWS CLASS ACTION
Defendants.		Jury Trial Demanded

Plaintiff, by their counsel, for their complaint allege upon personal knowledge as to themselves and their own acts and upon information and belief as to all other matters, based upon an investigation by their counsel that included a review of publicly filed court documents and news releases of Sterling Financial Corporation—Lancaster, PA (“Sterling” or the “Company”), which included, *inter alia*, a review of relevant public filings made by Sterling with the Securities and Exchange Commission (the “SEC”). Furthermore, this complaint is

based upon plaintiff's personal knowledge as to plaintiff and plaintiff's own acts and upon belief as to all matters, based upon the aforementioned investigation.

NATURE OF THE ACTION

1. This is a class action brought on behalf of those persons (the "Class") who acquired the common stock of Sterling during the period from April 27, 2004 through May 24, 2007 (the "Class Period"). Plaintiff alleges violations against all defendants of Section 10b of the Securities Exchange Act of 1934 and Rules 10b-5(a) and (c) promulgated thereunder.
2. During the Class Period, defendant Equipment Finance, LLC ("EFI"), a wholly owned subsidiary of defendant Bank of Lancaster County, N.A. ("Bank of Lancaster"), and certain of its senior officers and directors employed devices, schemes, and artifices to defraud Plaintiff and other investors of Sterling Financial Corporation ("Sterling") by knowingly and/or recklessly providing materially false and misleading financial information of EFI to persons responsible for the financial reporting for Sterling for the purpose of artificially inflating Sterling's stock price. These defendants participated in the scheme alleged herein, with the knowing or reckless disregard that the scheme would cause Sterling to issue materially false and misleading financial statements.
3. As a result of the scheme to defraud alleged herein, Sterling was forced to announce that its previously issued financial statements for FYs ended 2004 through 2006 and interim periods therein could no longer be relied upon. On May 24, 2007 investors first learned about the scheme, when Sterling announced in a press release and conference call with investors, that it had, through its ongoing investigation, uncovered a major fraud at EFI, which included

irregularities in certain financing contracts EFI entered into, that EFI and certain of EFI's officers and directors had subverted internal controls, concealed credit delinquencies, falsified financing contracts and related documents. As a result, the Sterling announced that it had, at that time, terminated five employees of EFI, including the EFI's COO and Executive Vice President.

4. The impact on Sterling's stock was shocking. On May 24, 2007 the Sterling announced that it had preliminarily determined that it would record an after tax charge to its FY 2006 of approximately \$145 million to \$165 million. Sterling also announced that it was halting its dividend. This partial disclosure of the scheme caused the Company's stock to fall over nearly 40%. Prior to May 24, 2007, the then undisclosed scheme materialized in an April 30, 2007 announcement by the Company which caused Sterling's stock to fall 19%.

JURISDICTION AND VENUE

5. This action arises under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 (the "Exchange Act"), 15 U.S.C. § 78j(b) and 78t, and Rules 10b-5(a) and (c), 17 C.F.R. § 240.10b-5 promulgated thereunder.

6. The Court has jurisdiction over the subject matter of this action pursuant to Section 27 of the Exchange Act, 15 U.S.C. § 78aa and 28 U.S.C. § 1331.

7. Venue is proper in this District pursuant to Section 27 of the Exchange Act and 28 U.S.C. § 1391(b). Upon information and belief a plurality of the investors in Sterling are located in this district. Moreover, Sterling's common stock is listed on the Nasdaq exchange which is located in this District.

8. In connection with the acts, transactions and conduct alleged herein, Defendants, directly and indirectly, used the means and instrumentalities of interstate commerce, including the United States mails, interstate telephone communications and the facilities of national securities exchanges and markets.

CLASS ACTION ALLEGATIONS

9. Plaintiff brings this action as a class action pursuant to Federal Rules of Civil Procedure 23(a) and (b)(3) on behalf of the Class defined above. Excluded from the Class are the Defendants, members of the immediate family of each of the Controlling Defendants, EFI, Sterling, Bank of Lancaster, any subsidiary or affiliate of Sterling or any of their subsidiaries or affiliates, or any entity in which any excluded person has a controlling interest, as well as the legal representatives, heirs, successors and assigns of any excluded person.

10. While the exact number of Class members is unknown and can only be ascertained through appropriate discovery, Plaintiffs believe there are hundred if not thousands of them. Joinder of all Class members is impracticable. Furthermore, because the damages suffered by the individual Class members may be relatively small, the expense and burden of individual litigation make it impossible for the Class members individually to redress the wrongs done to them.

11. Common questions of law and fact exist as to all members of the Class and predominate over any questions affecting solely individual members. Among the questions of law and fact common to the Class are:

- a) whether the federal securities laws were violated by Defendants' acts as alleged herein;
- b) whether the Controlling Defendants are "control persons" within the meaning of the federal securities laws;
- c) whether EFI and Graner employed devices, schemes, and artifices to defraud Plaintiff and other investors of Sterling by knowingly or recklessly providing materially false and misleading financial information concerning EFI to persons responsible for the financial reporting for Sterling with knowledge or reckless disregard that such a scheme would cause Sterling to issue materially false and misleading financial statements;
- d) whether the market prices of Sterling securities during the Class Period were artificially inflated as a result of the conduct alleged in this complaint; and
- e) whether Plaintiff and the other members of the Class have sustained damages and, if so, the proper measure of those damages.

12. Plaintiff's claims are typical of the claims of other Class members. Plaintiff and the other Class members sustained damages arising out of Defendants' wrongful conduct.

13. Plaintiff will fairly and adequately protect the interests of the members of the Class and have retained counsel competent and experienced in class actions and securities litigation.

Plaintiff has no interests antagonistic to or in conflict with those of the Class.

14. Plaintiff knows of no difficulty that will be encountered in the management of this litigation that would preclude its maintenance as a class action.

15. The names and addresses of purchasers of Sterling stock are available from Sterling's transfer agent. Notice can be provided to such record owners via first class mail using technique and form of notice similar to those customarily used in class actions.

THE PARTIES

16. Plaintiff Steve Macrina purchased shares of Sterling during the Class Period and was damaged thereby. His certification is attached to the Complaint.

17. Defendant EFI is a Pennsylvania limited liability corporation. According to Sterling's annual report for FY 2006, EFI specializes in financing forestry and land-clearing equipment for the soft wood chip business utilized primarily in the paper industry through more than 150 equipment dealer locations ranging from Maine to Florida. For FY 2006, 2005, and 2004 EFI accounted for 41%, 38%, and 36% of Sterling's net operating income from continuing operations. EFI is a wholly owned subsidiary of Bank of Lancaster. EFI's principal office address listed with the Pennsylvania Department of State is the same as Sterling's: 101 N. Pointe Blvd., Lancaster, PA 17601. At all relevant times, EFI was part of Sterling's "Financial Services Group."

18. Defendant Bank of Lancaster, is a wholly owned subsidiary of Sterling. Bank of Lancaster is a National Banking Association. Sterling lists Bank of Lancaster's address as: 1 East Main Street, PO Box 0300, Strasburg, PA 17579 in an attachment to Sterling's Form 10-K filed with the SEC on March 16, 2007. During the Class Period Sterling conducted its community banking and related services of through Bank of Lancaster. During the class period Bank of Lancaster was a controlling entity within the meaning of EFI within the meaning of Section 20(a) of the Exchange Act.

19. Non-Party Sterling is a Pennsylvania financial holding company headquartered in Lancaster, PA. Sterling provides a full range of banking and financial services to individual and

business through the following business segments: Community Banking and Related Services; Leasing; Commercial Finance; and Trust and Investment Services. Sterling's common stock is listed on the Nasdaq under the ticker "SLFI". Sterling principal executive officers are located at 1010 N. Pointe Blvd, Lancaster PA 17601.

20. Defendant George W. Graner ("Graner") prior to his announced departure from EFI on or about April 30, 2007, served at all relevant times herein as President, CEO, and Manager of EFI.

21. Defendant J. Roger Moyer, Jr. ("Moyer") serves on Sterling's Board of Managers and/or Directors for EFI since 2003. Moyer is also the President and CEO of Sterling since May 2002. Moyer is also Senior Executive Vice President of Bank of Lancaster since 2000 and a director thereof since 1994.

22. Defendant Thomas Dautrich ("Dautrich"), according to the Company's Proxy statement filed with the SEC on March 29, 2006, served on Sterling's Board of Managers and/or Directors for EFI since 2002. The proxy statement also stated that Dautrich was appointed Senior Executive Vice President and Chief Banking Officer of Sterling in January 2002. According to Sterling's Proxy Statement filed with the SEC on May 3, 2005, Dautrich was the CEO and Vice Chairman of Bank of Lancaster since April 2004, President and CEO of the same from April 2002 to April 2004.

23. Defendant J. Bradley Scovill ("Scovill"), served as the Senior Executive Vice President and Group Executive of Sterling's Financial Services Group from May 2005 to February 2006. Scovill currently serves as Sterling's Chief Revenue Officer. From March 2002 to May 2005, Scovill served as Sterling's CFO, Senior Executive Vice President, and Treasurer.

24. Moyer, Graner, Dautrich, Scovill, and Bank of Lancaster, are referred to herein as the “Controlling Defendants.” Because of the Controlling Defendants’ positions with the Sterling and EFI, they had access to the adverse undisclosed information about the EFI’s business, operations, subsidiaries, via access to internal corporate documents, conversations and connections with other corporate officers and employees, and attorneys, attendance at management and Board of Directors meetings and committees thereof and via reports and other information provided to them in connection therewith.

25. It is appropriate to treat the Controlling Defendants as a group for pleading purposes and to presume that the false, misleading and incomplete information conveyed by EFI to persons responsible for Sterling’s financial reporting as alleged herein are the collective actions of the narrowly defined group of defendants identified above. Each of the above Controlling Defendants of EFI, by virtue of their high-level positions with EFI and Sterling, directly participated in the management of the EFI, was directly involved in the day-to-day operations of the EFI at the highest levels and was privy to confidential proprietary information concerning the EFI and its business, and operations as alleged herein. Said defendants were involved in drafting, producing, reviewing and/or disseminating the false and misleading statements and information alleged to have been provided to persons involved in the financial reporting for Sterling that caused Sterling to issue materially false and misleading financial statements to the investing public—done so knowingly or in reckless disregard for the truth, in violation of the federal securities laws.

THE MATERIALLY FALSE AND MISLEADING STATEMENTS

26. The Class Period begins on April 27, 2004 when Sterling issued a materially false and misleading press release announcing its Q1 ended March 31, 2004 results. The press release states in relevant part:

Sterling Financial Announces 15.2% Increase in First Quarter Earnings

LANCASTER, PA — Sterling Financial Corporation (SLFI) announced earnings for the quarter ending March 31, 2004.

Results of Operations

Sterling's net income was \$7.629 million for the quarter ended March 31, 2004, an increase of \$1.004 million, or 15.2% from the first quarter 2003. Diluted earnings per share totaled \$0.35 for the first quarter 2004 versus \$0.31 for the same period 2003, an increase of 12.9%. Return on average realized equity for the first quarter of 2004 was 14.78%, compared to 14.52% in the first quarter of 2003.

* * * *

"Coming off an outstanding year in 2003, it is encouraging to begin 2004 with such rock-solid performance," said J. Roger Moyer, President and Chief Executive Officer of Sterling Financial Corporation. "Market conditions in the first quarter provided challenges, but Sterling continued our trend of improving on virtually every aspect of our business. The sustained performance of Sterling reflects the dedication and commitment of our people, who focus intently on meeting the needs of our customers and our shareholders."

27. On May 10, 2004, Sterling filed its Q1 2004 report on Form 10-Q with the SEC reiterating and repeating the information in the Company's April 27, 2004 press release. The Form 10-Q was signed and separately certified by defendants Moyer and Scovill pursuant to Sections 302 & 906 of the Sarbanes-Oxley Act of 2002 ("SOX").

28. On July 27, 2004 the Sterling issued a materially false and misleading press release announcing “record earnings” for Q2 FY 2004 results. The press release states in relevant part:

Sterling Financial Announces Record Earnings

LANCASTER, PA – Sterling Financial Corporation (Nasdaq: SLFI) announced record earnings for the quarter and six months ended June 30, 2004.

Results of Operations

Quarter Ended June 30, 2004

Sterling’s net income was \$8.216 million for the quarter ended June 30, 2004, an increase of \$1.272 million, or 18.3%, from the second quarter of 2003. Diluted earnings per share totaled \$0.37 for the second quarter 2004 versus \$0.33 for the same period in 2003, an increase of 12.1%. Return on average realized equity for the second quarter of 2004 was 15.40%, compared to 14.79% in 2003.

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Six Months Ended June 30, 2004

Sterling’s net income was \$15.845 million for the six months ended June 30, 2004, an increase of \$2.276 million, or 16.8%, over the same period in 2003. Diluted earnings per share totaled \$0.72 for the six months ended June 30, 2004, versus \$0.64 in 2003, an increase of 12.5%. Return on average realized equity for the first half of 2004 was 15.10%, compared to 14.67% in 2003.

* * * *

J. Roger Moyer, Jr., President and Chief Executive Officer of Sterling Financial Corporation, commenting on 2004’s results stated, “We continue to be pleased with our strategy of offering a diversified array of financial service products to our customers that can be seen in our 2004 results. For the quarter ended June 30, 2004, noninterest income increased 17.9% over 2003’s results. The results of our newest fee-based affiliates, including StoudtAdvisors, Church Capital Management, and Bainbridge Securities, have contributed greatly to our revenue stream. Net interest income has also increased 12.0%, as our specialty and commercial lenders are generating nice volume growth as well.”

Moyer further added, “While we have been diversifying our financial services product offerings, we have also been focused on the expansion of our banking activities. Our emerging markets, including Berks County, Pennsylvania, Carroll County, Maryland, and New Castle County, Delaware, also continue to reap the benefit of market disruption, and

have contributed to our asset growth. We are very excited about our newest emerging market, Pennsylvania's Capital Region, with our announced agreement with The Pennsylvania State Banking Company. 2004 has been very exciting for Sterling's employees and shareholders, and we look forward to continuing this momentum."

29. On August 9, 2004 Sterling filed its Q2 2004 report on Form 10-Q with the SEC reiterating and repeating the information in the above press release. The Form 10-Q was signed and separately certified by defendants Moyer and Scovill pursuant to Sections 302 & 906 of SOX.

30. On October 26, 2004 Sterling issued a materially false and misleading press release announcing "record earnings" for Q3 FY 2004 results. The press release states in relevant part:

Sterling Financial Announces Record Earnings

LANCASTER, PA — Sterling Financial Corporation (Nasdaq: SLFI) announced record earnings for the quarter and nine months ended September 30, 2004.

Results of Operations

Quarter Ended September 30, 2004

Sterling's net income was \$8.500 million for the quarter ended September 30, 2004, an increase of \$1.003 million, or 13.4%, from the third quarter of 2003. Diluted earnings per share totaled \$0.38 for the third quarter 2004 versus \$0.35 for the same period in 2003, an increase of 8.6%. Return on average realized equity for the third quarter of 2004 was 15.01%, compared to 15.40% in 2003.

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Nine Months Ended September 30, 2004

Sterling's net income was \$24.345 million for the nine months ended September 30, 2004, an increase of \$3.279 million, or 15.6%, over the same period in 2003. Diluted earnings per share totaled \$1.11 for the nine months ended September 30, 2004, versus \$0.99 in 2003, an increase of 12.1%. Return on average realized equity for the first nine months of 2004 was 15.07%, compared to 14.92% in 2003.

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J. Roger Moyer, Jr., President and Chief Executive Officer of Sterling Financial Corporation, reflecting on 2004's results stated, "2004 has been an interesting year for Sterling Financial Corporation, as it feels like two distinct initiatives have been running simultaneously. The task of documenting our compliance with Section 404 of Sarbanes-Oxley has been felt throughout the organization. On the plus side, it has resulted in renewed evaluation of our internal control processes, and in some cases, identified areas where efficiencies could be gained. Concurrently, we have been able to grow our company through organic growth, as evidenced by strong loan volumes, and the results of our fee-based affiliates. Sterling's ability to handle these initiatives simultaneously is a tribute to our team of employees who enjoy the challenges of growing a company, while being respectful of the ever changing regulatory environment that exists today."

31. On November 9, 2004 Sterling filed its Q3 2004 report on Form 10-Q with the SEC reiterating and repeating the information in the above press release. The Form 10-Q signed and separately certified by defendants Moyer and Scovill pursuant to Sections 302 & 906 of SOX.

32. On January 25, 2005 Sterling issued a materially false and misleading press release announcing "record earnings" for Q4 and FY 2004. The press release states in relevant part:

Sterling Financial Announces Record Earnings

LANCASTER, PA — Sterling Financial Corporation (SLFI) announced record earnings for the quarter and year ending Dec. 31, 2004.

J. Roger Moyer, president and chief executive officer of Sterling Financial Corporation, commenting on 2004's results, stated, "2004 has been an outstanding year for Sterling Financial Corporation, as we produced another year of record earnings. ..."

Moyer added, "Our team of over 1,000 employees should be complimented for their efforts in 2004. In addition to completing the acquisitions of StoudtAdvisors and Pennsylvania State Bank and entering into the New Castle, Del., market, they were able to dedicate substantial resources on documenting our compliance with Section 404 of Sarbanes-Oxley. Despite these dynamic factors, we were able to improve on our positive earnings momentum. 2004 has been a rewarding year for Sterling's shareholders and employees, and we look forward to continued success in 2005."

Results of Operations

Quarter Ending Dec. 31, 2004

Sterling's net income was \$8.984 million for the quarter ended Dec. 31, 2004, an increase of \$991,000, or 12.4 percent from the fourth quarter of 2003. Diluted earnings per share totaled \$0.40 for the fourth quarter 2004 versus \$0.37 for the same period in 2003, an increase of 8.1 percent. Return on average realized equity for the fourth quarter of 2004 was 14.82 percent, compared to 15.59 percent in 2003.

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Twelve Months Ended Dec. 31, 2004

Sterling's net income was \$33.329 million for the year ended Dec. 31, 2004, an increase of \$4.270 million, or 14.7 percent, over the same period in 2003. Diluted earnings per share totaled \$1.51 for the year ended Dec. 31, 2004, versus \$1.35 in 2003, an increase of 11.9 percent. Return on average realized equity for 2004 was 15.00 percent, compared to 15.10 percent in 2003.

33. On March 30, 2005 Sterling filed its annual report for 2004 on Form 10-K with the SEC reiterating and repeating the information in the above press release. The Form 10-K signed and separately certified by defendants Moyer and Scovill pursuant to Sections 302 & 906 of SOX.

34. On April 25, 2005 Sterling issued a press release announcing that defendant Scovill was assigned to a newly created post of group executive of the Company's financial services group. The press release stated that "Scovill's current chief financial officer responsibilities will be assumed by [defendant] Tito L. Lima who is joining Sterling on May 23, 2005." The press release also states in relevant part:

The creation of this new executive role is a direct result of our ability to successfully execute our corporate strategies. Today, 44 percent of our net income is generated by our non-banking financial services affiliates," said J. Roger Moyer, Jr., president and chief executive officer of Sterling Financial Corporation. "Our strategy for many years has

been to grow Sterling through our core banking affiliates and broaden our menu of financial services through the addition of companies that complement each other. From basic banking, we have expanded into specialty commercial financing; fleet and equipment leasing; investment, trust and brokerage services; insurance services; and human resources consulting. Brad will be working with these entities to provide corporate level direction and leadership.”

Moyer said Scovill has played a pivotal role in Sterling’s growth and has been involved firsthand in the acquisition of some of the companies that have joined Sterling. Moyer also welcomed Lima to Sterling as chief financial officer.

35. On April 26, 2005 Sterling issued a materially false and misleading press release announcing “record earnings” for Q1 FY 2005 and a stock split. The press release states in relevant part:

Sterling Financial Corporation Announces Record Earnings and Declaration of a Stock Split

LANCASTER, PA. (April 26, 2005) — Sterling Financial Corporation (NASDAQ: SLFI) today reported record earnings for the quarter that ended on March 31, 2005, and declared a 5-for-4 stock split, to be effected in the form of a 25 percent stock dividend.

“Sterling continues to benefit from the alignment of its banking and financial services affiliates to offer a full menu of financial services options in established and growth markets,” said J. Roger Moyer, Jr., president and chief executive officer of Sterling Financial Corporation. ...

The board of directors announced the 5-for-4 stock split to be effected in the form of a 25 percent stock dividend to shareholders of record on May 13, 2005 and payable on June 1, 2005. The board believes the stock split rewards the shareholders for continued growth and profitability of the company, while allowing for a broader distribution of shares and the potential for a greater number of investors to own shares of Sterling.

In the following earnings discussion and financial information presentation, all per share information has been restated to reflect the 5-for-4 split, effected in the form of a 25 percent stock dividend.

Results of Operations

Sterling's net income was \$9.279 million for the quarter ended March 31, 2005, an increase of \$1.650 million, or 21.6 percent from the first quarter of 2004. Diluted earnings per share totaled \$0.316 for the first quarter of 2005 versus \$0.280 for the same period in 2004, an increase of 12.9 percent. Return on average realized equity for the first quarter of 2005 was 13.82 percent, compared to 14.78 percent in 2004.

36. On May 10, 2005 Sterling filed its Q1 2005 report on Form 10-Q with the SEC reiterating and repeating the information in the above press release. The Form 10-Q was signed and separately certified by defendants Moyer and Scovill pursuant to Sections 302 & 906 of SOX.

37. On July 26, 2005 Sterling issued a materially false and misleading press release announcing its Q2 FY 2005 results. The press release states in relevant part

Sterling Financial Corporation Announces Second Quarter Earnings

LANCASTER, PA (July 26, 2005) – Sterling Financial Corporation (Nasdaq: SLFI) reported record earnings for the quarter and six months ended June 30, 2005.

"The second quarter 2005 is a continuation of the momentum that Sterling continues to experience," said J. Roger Moyer, Jr., president and chief executive officer of Sterling Financial Corporation. "Sterling's strength stems from our diverse business lines and revenue streams, serving high-growth markets, a strong capital position to fund growth, excellent credit quality, engaged employees and experienced leadership."

* * * *

Sterling's net income was \$9.684 million for the quarter ended June 30, 2005, an increase of \$1.468 million, or 17.9 percent from the second quarter of 2004. Diluted earnings per share totaled \$0.331 for the second quarter of 2005 versus \$0.299 for the same period in 2004, an increase of 10.7 percent. Return on average realized equity for the second quarter of 2005 was 14.00 percent, compared to 15.40 percent in 2004.

* * * *

Sterling's net income was \$18.963 million for the six months ended June 30, 2005, an increase of \$3.118 million, or 19.7 percent from the same period in 2004. Diluted earnings per share totaled \$0.647 for the six months ended June 30, 2005 versus \$0.580 for 2004, an increase of 11.6 percent. Return on average realized equity for the first half of 2005 was 13.92 percent, compared to 15.10 percent in 2004. The decrease in return on average realized equity, despite an increase in earnings, is due to an increase in stockholders' equity that resulted from the issuance of stock to acquire Corporate Healthcare Strategies and Pennsylvania State Bank in 2004.

Sterling has continued its trend of improving net interest income, from \$46.287 million for the six months ended June 30, 2004 to \$55.885 million in 2005, a 20.7 percent increase. ...

* * * *

Moyer stated, "Despite the loan growth that Sterling has experienced during 2005, our asset quality ratios remain strong, demonstrating our focus on growing assets without sacrificing credit quality. Sterling is committed to maintaining strong asset quality, as we recognize it is a key driver of financial performance."

38. On August 9, 2005 Sterling filed its Q2 2005 report on Form 10-Q with the SEC reiterating and repeating the information in the above press release. The Form 10-Q was signed and separately certified by defendant Moyer pursuant to Sections 302 & 906 of SOX.

39. On October 25, 2005 Sterling issued a materially false and misleading press release announcing its Q3 FY 2005 results and "record earnings" The press release states in relevant part:

Sterling Financial Corporation Announces Third Quarter Earnings

LANCASTER, PA (October 25, 2005) – Sterling Financial Corporation (NASDAQ: SLFI) reported record earnings for the quarter and nine months ended Sept. 30, 2005.

"We are pleased with another quarter of record earnings and achieving our desired growth goals," said J. Roger Moyer, Jr., president and chief executive officer of Sterling Financial Corporation. "Our growth in existing and new markets has led to solid

performances in both our Banking Services Group and Financial Services Group affiliates.”

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Sterling’s net income was \$10.086 million for the quarter ended Sept. 30, 2005, an increase of \$1.586 million, or 18.7 percent from the third quarter of 2004. Diluted earnings per share totaled \$0.344 for the third quarter of 2005 versus \$0.307 for the same period in 2004, an increase of 12.1 percent. Return on average realized equity for the third quarter of 2005 was 14.07 percent, compared to 15.01 percent in 2004.

* * * *

“Despite some recent compression, a trend that the industry has been experiencing for the past several quarters, our net interest margin continues to exceed our peer group” Moyer added. “Given Sterling’s diversified product offering, pressure in our net interest margin should be lessened by growth in the earnings contributions of our financial services affiliates.”

* * * *

Sterling’s net income was \$29.049 million for the nine months ended Sept. 30, 2005, an increase of \$4.704 million, or 19.3 percent from the same period in 2004. Diluted earnings per share totaled \$0.991 for the nine months ended Sept. 30, 2005, versus \$0.887 for 2004, an increase of 11.7 percent. Return on average realized equity for the first three quarters of 2005 was 13.97 percent, compared to 15.07 percent in 2004. The decrease in return on average realized equity, despite an increase in earnings, is due to an increase in stockholders’ equity that resulted from the issuance of stock to acquire Corporate Healthcare Strategies (d/b/a StoudtAdvisors) and Pennsylvania State Bank in 2004.

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Sterling’s financial services affiliates non-interest income increased \$5.789 million, or 18.1 percent. The acquisition of Corporate Healthcare Strategies in June 2004 attributed to \$2.643 million of the increase. The remaining increase experienced resulted from organic growth and approximately \$820,000 in gains on sales of loans and finance receivables, which totaled \$955,000 for the nine months ended Sept. 30, 2005 compared to \$135,000 in 2004. The sale of these assets allows for the funds to be reinvested in new asset growth and to limit Sterling’s credit concentration within one industry, and is expected to be a funding source for Sterling in the future.

40. On November 9, 2005 Sterling filed its Q3 2005 report on Form 10-Q with the SEC reiterating and repeating the information in the above press release. The Form 10-Q was signed and separately certified by defendant Moyer pursuant to Sections 302 & 906 of SOX.

41. On January 24, 2006 Sterling issued a materially false and misleading press release announcing its Q4 and FY 2005 results and “record earnings” for both periods. The press release states in relevant part:

Sterling Financial Corporation of Lancaster, Pa., Announces Fourth Quarter and Year End Earnings

LANCASTER, PA (January 24, 2006) – Sterling Financial Corporation (NASDAQ: SLFI) reported record earnings for the quarter and year ended December 31, 2005.

“Our record performance during 2005 is the result of our focus on growth in existing markets, broadening our product mix and entering new markets,” said J. Roger Moyer, Jr., president and chief executive officer, Sterling Financial Corporation. “We are especially pleased with loan and deposit growth, an increase in net interest income and our strong credit quality.”

* * * *

Sterling’s net income was \$10.2 million for the quarter ended December 31, 2005, an increase of \$1.2 million, or 13.7 percent from the fourth quarter of 2004. Diluted earnings per share totaled \$0.35 for the fourth quarter of 2005 versus \$0.32 for the same period in 2004, an increase of 9.4 percent. Return on average realized equity for the fourth quarter of 2005 was 13.97 percent, compared to 14.82 percent in 2004. Return on tangible equity was 20.53 percent in 2005 compared to 19.53 percent in 2004.

* * * *

Sterling’s net income was \$39.3 million for the year ended December 31, 2005, an increase of \$5.9 million, or 17.8 percent from the same period in 2004. Diluted earnings per share totaled \$1.34 for the year ended December 31, 2005, versus \$1.21 for 2004, an increase of 10.7 percent. Return on average realized equity was 13.97 percent, compared to 15.00 percent in 2004. The decrease in return on average realized equity, in spite of an